



## Electric Rates Overview December 2021



# Electric Rates Overview

## *Key Discussion Goals*



- 1 Explain rate setting process, key electric rate components and rate design goals
- 2 Review leadership in climate resiliency, safety and reliability as well as their impact on electric rates and customer bills
- 3 Discuss efforts around advocating for affordability and bill stability for customers now and into the future

# Electric Rates Overview

## Regulators and Select Public Interest Parties



*Electric rates are reviewed and set through public proceedings and include several interested parties*

### Rate Policy Influencers



California  
Public Utilities  
Commission



**FERC**



**CALIFORNIA**  
AIR RESOURCES BOARD



### Select Public Interest Parties



*The Public*  
**ADVOCATES**  
OFFICE



**CALCCA**  
ADVANCING LOCAL ENERGY CHOICE



**SBUA**  
Small Business Utility Advocates



**THE UTILITY REFORM NETWORK**

Lower bills. Livable planet.



**NRDC**  
NATURAL RESOURCES  
DEFENSE COUNCIL



**UCAN**

**UTILITY CONSUMERS' ACTION NETWORK**

# Electric Rates Overview

## *Electric Rate Key Inputs*



- Electricity rates collect authorized revenues from customers to operate a safe and reliable electric grid
- Two key inputs are needed to determine electric rates:
  - **Revenue Requirement**: The authorized revenue SDG&E is approved to collect
  - **Electricity Sales**: The authorized estimated electricity used by customers; measured in kilowatt hours

$$\text{System Average Rate} = \frac{\text{Revenue Requirement}}{\text{Electricity Sales}} = \text{cents / kWh}$$



# Electric Rates Overview

## Key Components of Electric Rates



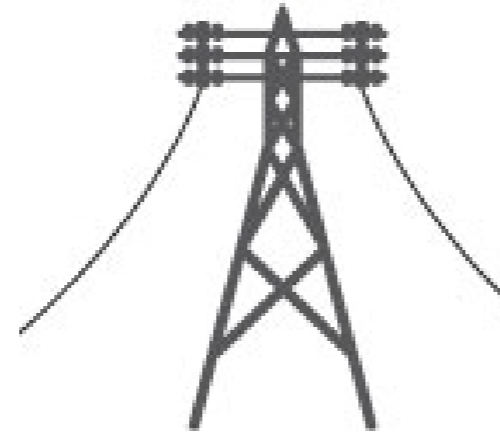
### Electric Generation



- Electricity to serve customers and utility owned generation
- SDGE earns no profit on the sale of energy to customers
- Can be provided by CCA or SDG&E

Energy Costs

### Electric Transmission



- Build and maintain “long-haul” energy infrastructure
- Delivers energy from power plants into San Diego region
- Regulated by FERC

### Electric Distribution



- Build and maintain short-distance infrastructure
- Delivers energy to homes and communities
- Regulated by CPUC

System Costs

### Public Benefits



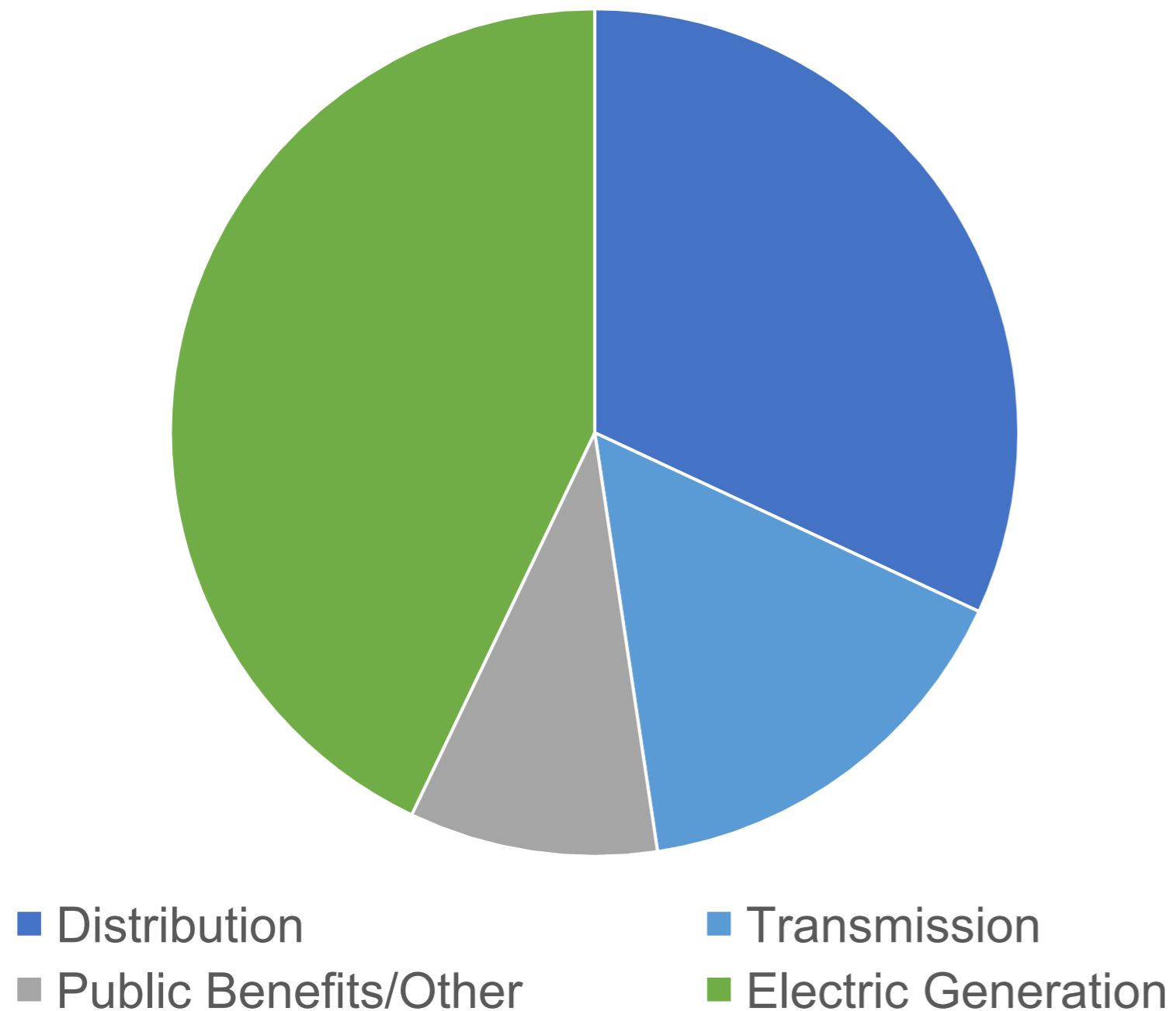
- Public benefit costs collected in electric rates
- Low-income/energy efficiency programs
- Includes state mandated costs

# Electric Rates Overview

## *Components of System Average Rate*



**System Average Rate Breakdown<sup>1</sup>**



- On average, for every \$1 paid to SDG&E:
  - \$0.43 is related to electric generation
  - \$0.32 is related to distribution
  - \$0.16 is related to transmission
  - \$0.09 is related to public benefit and other costs

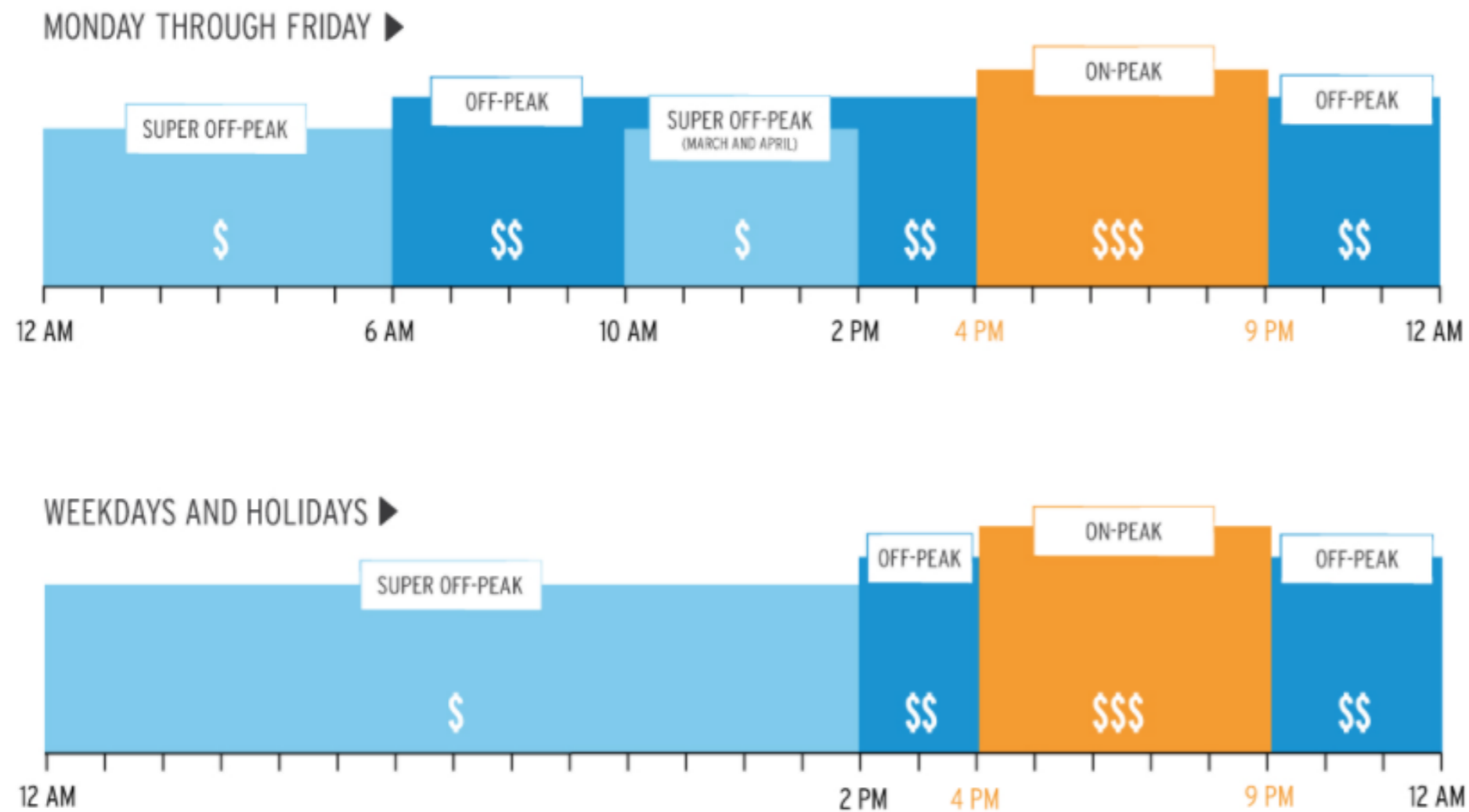
# Electric Rates Overview

## Rate Design Overview



*Rates are designed to provide customers options as well as incentivize behavior that promotes GHG reduction and benefits the grid*

### Time-of-Use Plans



- Offer a variety of plan options to meet our customers' needs
- Time-of-use plans designed to encourage customers to shift usage outside of the peak hours of 4-9 p.m.
- Specific rate design can also be used to incentivize customer behavior

# Electric Rates Overview

*Leadership in Changing Energy Landscape Impacts Rates*



*SDG&E has invested in our community and is recognized as a leader in providing clean, safe and reliable energy*



## Climate Resiliency

- First CA utility to meet initial 33% state renewable goal
- Nationally recognized fire safety leadership; ~\$3B in wildfire mitigation efforts
- Over 145 MW of energy storage projects<sup>1</sup> and ~3,000 EV chargers
- Most reliable electric utility in the west last 16 years; recently awarded most reliable electric utility in the U.S.<sup>2</sup>



## Customer and Public Benefits

- Discounted bills for our economically vulnerable customers
- Energy efficiency programs
- School energy efficiency stimulus program
- Discounts for customers with specific medical devices that require electricity usage



## Energy Sales

- Highest penetration of rooftop solar adoption in California
- Success in energy efficiency efforts
- Majority of utility costs do not change due to lower consumption
- Electrification may help reverse this trend over the long term

1. Includes projects in operation and under construction.

2. PA Consulting ReliabilityOne® awards; national reliability award shared with Florida Power & Light.

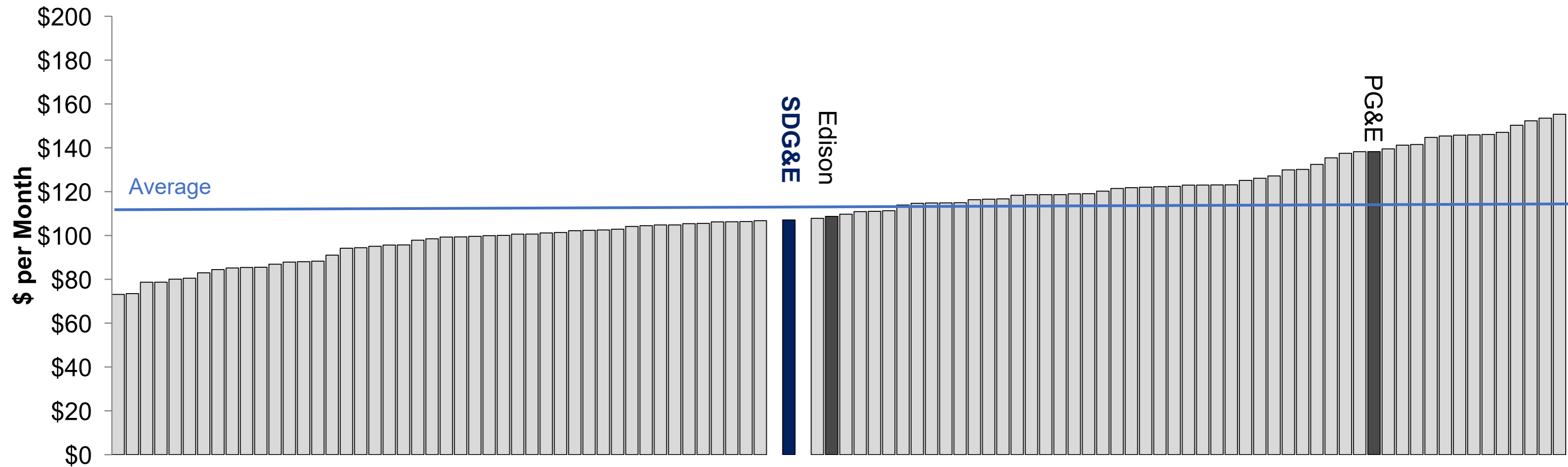
# Electric Rates Overview

## SDG&E Electric Bills



*SDG&E's average residential electric bill is below the national average as well as the other two large CA utilities*

2020 Residential Average Electric Bill



Source: Based on January 2020 to December 2020 U.S. Energy Information Administration Form EIA-861M. Data set represents the largest 100 electric utilities by total revenue

# Electric Rates Overview

## *2022 Estimated Rate Impacts*



- Current system average rate is \$0.28/kWh
- 2022 rate drivers include:
  - Electric generation energy costs: increasing due to rising natural gas prices leading to increased power prices
  - Revised public benefits: increased costs due to an increase in low-income programs and new legislative mandates
  - Safety and reliability: investments to promote reliability and resiliency for our customers including wildfire mitigation
  - Updated sales forecast: to better reflect expected lower energy use in 2022 due to technology adoption and successful energy efficiency measures ■
- Preliminary estimate of an ~\$0.04 – \$0.05/kWh system average rate increase in 2022

# Electric Rates Overview

## Customer Support Offerings



### CARE

~30%+ monthly bill discount to qualifying residential customers

### FERA

18% discount on electric use each month to qualifying households of 3+

### Energy Savings Assistance Program

free installation of energy efficient improvements

### Medical Baseline

Provides households with critical medical devices discounted electric rates

### Arrearage Management Program (AMP)

Debt forgiveness plan for CARE / FERA customers  
Forgives 1/12 of customer debt w/ each monthly on-time payment

### Utility COVID-19 Assistance Programs

Utility bill forgiveness for debt incurred during COVID-19.  
~\$12M in relief awarded to date with tens of millions of dollars in additional state funding expected in 2022

# Electric Rates Overview

*Advocating for Bill Stability and Affordability*



## Increase bill stability and affordability

- ✓ Shifting timing of climate credit
- ✓ Modify seasonal pricing differences
- ✓ Removal of High Usage Charge (HUC)
- ☐ Explore broader rate reform

